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SUBJECT: FINANCE MINISTER'S "TORNADO OF TAXATION" IRRESPONSIBLE, MAY
LEAD TO VIOLENCE, ACCORDING TO LABOR LEADER JAN SITHOLE

REF: MBABANE 339

¶1. SUMMARY: According to former Swaziland Federation of Trade Unions (SFTU) General Secretary Jan Sithole, the recent Swazi Finance Minister's taxation proposals to close a revenue gap were "irresponsible." In response to a drop in Southern Africa Customs Union (SACU) revenues, which currently finance over 60 percent of Swaziland's budget, the Minister proposed taxing cattle or freezing public servant wages, something the former General Secretary said would result in widespread unrest prompting a violent government crackdown. Sithole indicated to PolOff that anger is building in the country, and expectations for multi-party democracy will increase pressure before the 2013 elections. He recommended using international leaders respected by King Mswati III, such as former Mozambican President Joaquim Chissano, to motivate the King to enact reforms before it was too late. END SUMMARY.

¶2. On December 18, former SFTU General Secretary Jan Sithole, who stepped down after 25 years as general secretary in October, met with PolOff to discuss labor issues and the impact a decline in the Swazi economy is having on political developments. He emphasized that Minister of Finance Majosi Sithole's (no relation) recent taxation proposals to close a revenue gap were irresponsible and would lead to violence if carried out. In response to a drop in Southern African Customs Union (SACU) revenues, which currently finance over 60 percent of Swaziland's budget, the Minister proposed taxing cattle or freezing public servant wages. The former labor union leader, who was detained by police multiple times during his tenure as Secretary General, said he would expect government to react to the resulting unrest with violence and further suppression.

¶3. Even without a "tornado of taxation" sparking anti-government sentiment, Sithole believes that anger is building up in the country and that demands for multi-party democracy will increase pressure on the government as the 2013 elections near.

¶4. Sithole recommended that the embassy continue with its efforts to pressure the government in private, indicating that we would lose any gains if we were too "loud," and suggested that the U.S. focus on pushing government towards dialogue with voices of dissent. Regarding the role that the International Labor Organization (ILO) has played in prodding Swaziland to reform, he said that ILO's statements and inclusion of Swaziland in its "special paragraph" could have a positive snowball effect if other governments take up the refrain.

¶5. King Mswati III, Sithole indicated, enjoys unparalleled wealth and power, and therefore would need a lot of outside pressure to bring about political change. He recommended recruitment of international and regional leaders the King respected, such as former Mozambican President Joaquim Chissano, to encourage the King to engage in reform.

¶6. COMMENT: Sithole's views on economic developments driving a political crisis track statements by a member of the royal family in reftel. Both discussed the need for civic education and that King Mswati III will not move toward political reform unless he can be

convinced reform is better for him personally, as well as for the country, than predicted civil unrest that will inevitably turn violent and could destroy royalty's role altogether. END COMMENT.

MORRISON